

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 EB-11 COME-00 OPIC-12 SCEM-02 AID-20

CIAE-00 INR-10 NSAE-00 RSC-01 PA-03 PRS-01 USIA-15

RSR-01 /097 W

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P 182255Z JUL 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 4601

INFO AMEMBASSY TEGUCIGALPA

AMEMBASSY GUATEMALA

AMEMBASSY SAN SELVADOR

AMEMBASSY MANAGUA

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GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A

TAGS: ENRG, ETRD, EIND, CS US

SUBJECT: RECOPE PROBLEM: GOCR DRAWS THE LINE

REF: SAN JOSE A-114 OF JUNE 15, 1973

SUMMARY: MINISTER KOGAN HAS SENT A CABLE TO UNION TEXAS PETROLEUM COMPANY' TEVERBOUGH REQUESTING A MEETING IN THE MINISTER'S OFFICE ON JULY 27 AT 10 AM. WE UNDERSTAND TEVERBOUGH HAS AGREED TO COME TO SAN JOSE. PETROLEUM ADVISOR CASTILLO EMPHASIZED TO US THAT THIS REQUEST GREW OUT OF "JUST ONE MORE" BREAKDOWN IN THE SUPPLY SYSTEM, THAT THIS WOULD HAVE TO BE "THE LAST TIME" THIS CAN HAPPEN, AND THAT THE GOCR HOPED TO WORK OUT A "DEFINITIVE SOLUTION" ON THE 27TH. WE READ THIS AS EVIDENCE THAT GOCR IS RAPIDLY RUNNING OUT OF PATIENCE AND MAY ENTERTAIN ALTERNATIVES TO WORKING OUT THINGS WITH ALLIED IF THE JULY 27 MEETING COMES TO NAUGHT.

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1. ACCORDING TO JULY 17 EVENING PRESS, MINISTER OF

ECONOMY, INDUSTRY, AND COMMERCE KOGAN SENT
A CABLE TO ALLIED CHEMICAL'S UNION TEXAS PETROLEUM SUBSIDIARY

VICE PRESIDENT HAROLD TEVERBOUGH AS FOL-
LOWS: "IN VIEW OF THE RELATIONSHIP TO THE ECONOMY
OF THE COUNTRY OF CONTINUOUS INTERRUPTIONS IN FUEL
SUPPLY, I CONSIDER YOUR PRESENCE IN MY OFFICE ON THE
27 OF THIS MONTH AT 10 AM TO BE OF VITAL IMPORTANCE."
(FREE TRANSLATION.)

2. DURING TELEPHONE CONVERSATION WITH GOCR'S
PETROLEUM ADVISER, CARLOS MANEUL CATILLO, MORNING OF
JULY 18, LATTER TOLD EMBOFF THAT TEVERBOUGH HAD AL-
READY REPLIED AND HAS AGREED TO THE APPOINTMENT.
CASTILLO DESCRIBED LATTER AS KOGAN'S REACTION TO
LATEST BREAKDOWN IN FUEL SUPPLIES. HE NOTED THAT
SAN JOSE WAS AGAIN EXPERIENCING GASOLINE SHORTAGES,
THIS TIME BECAUSE OF A TEMPORARY REFINERY BREAKDOWN
DUE, HE UNDERSTOOD, TO HUMAN ERROR. THE ESSENTIAL
POINT WAS, HE EMPHASIZED, NOT THIS PARTICULAR BREAK-
DOWN, BUT THE FACT THAT RECOPE OPERATES ON SUCH A
THIN MARGIN OF RESERVE THAT ANY PROBLEM AFFECTING
SUPPLY IS IMMEDIATELY FELT BY THE ECONOMY. HE NOTED
SO FAR THIS YEAR THERE HAD BEEN A PIPELINE PROBLEM,
AN ANCHOR CABLE OF THE SUPPLY SHIP PROBLEM, AND NOW
THE REFINERY ITSELF.

3. CASTILLO SAID THE PURPOSE OF THE JULY 27 MEETING
WAS TO ATTEMPT TO COME UP WITH A DEFINITIVE SOLUTION
ONCE AND FOR ALL. HE NOTED (EMPHASIZING THAT THIS
WAS HIS OWN OPINION AND HAD NOT YET BEEN FULLY DIS-
CUSSED WITH KOGAN) THAT UNION TEXAS MUST DO TWO THINGS:
(A) DEVELOP A RELIABLE IMPORT PROGRAM FOR CRUDE AND
(B) MOVE AHEAD ON AN EXPANDED INVESTMENT PROGRAM, WITH
PARTICULAR EMPHASIS ON INCREASING STORAGE CAPACITY AND
IMPROVING RECOPE'S PIPELINE. WITH REGARD TO (A) HE
POINTED OUT, "WE KNOW THIS WILL COST MORE, BUT IT'S
WORTH IT."

4. COMMENT: THE GENERAL TONE OF CASTILLO'S REMARKS
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WAS NOT RPT NOT THAT THE GOCR HAD DECIDED TO
ABANDON ITS POLICY OF TRYING TO WORK OUT THINGS WITH
ALLIED, BUT THAT ITS PATIENCE IS RAPIDLY RUNNING OUT.
OUR INITIAL REACTION IS THAT THE GOCR'S TACTIC HERE
IS TO DRAW THE LINE AND MAKE ONE FINAL EFFORT TO FORCE
ALLIED TO IMPROVE THE SITUATION VERY MUCH ALONG THE
LINES OF EARLIER DISCUSSIONS THIS YEAR WITH TEVERBAUGH
AND FLOWERS. IF THE JULY 27 MEETING COMES TO NAUGHT,

THE POSSIBILITY THAT THE GOCR WOULD SERIOUSLY
ENTERTAIN RESORT TO ART. 14 PROCEDURES FOR TERMINATING
CONTRACT.

5. IN A CONVERSATION SOME TIME AGO WITH RECOPE'S
LOCAL MANAGER, PAUL COVERSTON, COVERSTON TOLD AN
EMBOFF THAT RECOPE WAS BEING PUSHED TO THE WIRE BY
THE GOCR'S FOOT DRAGGING IN DECREEING NEW PRICE RISES.
WE KNOW FROM EARLIER CONVERSATION WITH FLOWERS (SAN
JOSE 1533) THAT UNION TEXAS HAD CONDITIONED ITS IN-
VESTMENT PROGRAM UPON EXPECTED PRICE INCREASES.
WHILE WE HAVE NO INFORMATION ON THE CURRENT STATUS
OF THE PRICE INCREASES, GOCR, ACCORDING

TO FLOWERS, HAD PROMISED CASTILLO IN
ABOVE CONVERSATION TOLD US THAT THE PURPOSE OF
JORGE VILLALOBOS' (SENIOR MINISTRY OFFICER IN PETRO-
LEUM MATTERS) TRIP THIS WEEK TO VENEZUELA WAS FOR
ACCUMULATING PRICE DATA.

6. IN ANY CONVERSATIONS WITH UNION TEXAS OR ALLIED
WE THINK DEPARTMENT SHOULD EMPHASIZE FOLLOWING:
(A) GOCR HAS A REAL PROBLEM WITH CONTINUAL INTER-
RUPTION OF SUPPLY. (B) WITH APPROACH OF ELECTIONS,
PRESSURE ON GOCR FOR ACTION AGAINST RECOPE WILL IN-
CREASE UNLESS SOMETHING IS DONE. (C) NEW MEIC
MINISTER KOGAN'S APPARENT "HARD LINE" AGAINST RECOPE
WILL GAIN POINTS FOR THE ADMINISTRATION (AND FYI,
WILL HELP KOGAN OVERCOME INITIAL SOMEWHAT ADVERSE
REACTION TO HIS APPOINTMENT END FYI) -- NOBODY, BUT
NOBODY LOVES RECOPE HERE. (D) GOCR OFFICIALS ARE
PROBABLY PARTICULARLY SENSITIVE AT THIS TIME SINCE
OPPOSITION PRESS HAS TENDED TO CITE RECOPE AS
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"WHITE ELEPHANT" IN ITS OPPOSITION TO A NEW CEMENT PROJECT
WHICH THE FIGUERES ADMINISTRATION IS INTERESTED IN
PROMOTING.

7 IN VIEW OF THE ABOVE CONSIDERATIONS, WE THINK
ALLIED SHOULD BE URGED TO COME PREPARE
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